## Company

A company is any group of persons (known as its members) united to pursue a common interest. Synonymous with association, it is used specifically to identify associations formed for profit, such as the partnership, the joint-stock company, and the for-profit corporation. A company is not necessarily a corporation, and may not have a separate existence from its members.

A voluntary association is a group of individuals who voluntarily enter into an agreement to form a body (or organization) to accomplish a purpose. Associations that are organized for profit or financial gain are usually called partnerships. A special kind of partnership is a co-operative, usually founded on one man - one vote principle, and which distributes its profits according to the amount of goods produced or bought by the member. Associations may take the form of a non-profit organization or they may be not-for-profit corporations; this does not mean that the association cannot make benefits from its activity, but all the benefits must be reinvested.

**Sole Proprietorship**

The most basic type of business organization is the sole proprietorship, a business owned by one person. It is the oldest form of business organization and also the most common. When we speak of a proprietor, we are always referring to the owner of a business, this business is a kind of property.

**Limited Partnerships**

A limited partnership is a special form of partnership in which the partners are not equal. One partner is called the general partner, who assumes all of the management duties and has full responsibilities for the debts of the limited partnership. The other partners are “limited” because they only contribute money or property. They have no voice in the partnership’s management. The advantage to the limited partners is that they have no liability for the losses beyond what they initially invest. The disadvantage is that they have no say in how the business is run.

**Joint Ventures**

When individuals or companies want to do a special project together and they do not have any desire to work together after the project is done, they might form a joint venture. A joint venture is a temporary partnership set up for a specific purpose and for a short period of time.

**Corporation**

A corporation is an organization led by many people but treated by the law as though it were a person. It owns property, pays taxes, makes contracts, etc. It has a separate and distinct existence from the stockholders who own the corporation’s stock. Stock represents ownership rights to a certain portion of the profits and assets of the company that issues the stock.

**Franchises**

Many hotel, motel, gas station, and fast-food chains are franchises. A franchise is a contract in which a franchisor sells to another business the right to use its name and sell its products. This franchisee pays a fee that may include a percentage of all money taken in. For example, when you buy a motel franchise, you agree to pay the motel chain a certain fee plus a portion of the profits for as long as your motel stays in business. In return, the chain will help you set up the motel and it can have a training program to teach you about the business and set the standards of business operations.

**The Steps in Starting a Business**

Nearly every person who makes the decision to start a business is an entrepreneur because he or she is willing to take a risk. Usually, people decide to start a business to gain profits and to “do something on their own” or to be their own boss. Entrepreneurs then gather the factors of production and decide on the form of business organization that best suits their purposes. Anyone hoping to become an entrepreneur must also learn as much as possible about the business he or she plans to start. This process includes learning about the laws, regulations, and tax codes that will apply to the business.

**Elements of Business Operation**

To start a business, you must make potential customers aware that your services are available for a price. You could have one-page fliers printed to advertise your business and pass them out. You could also buy advertising space in the local newspaper. Every business, regardless of size, involves four elements: expenses, advertising, receipts and record keeping, and risk:

**Expenses**

If you own a painting business, you will need to purchase brushes and paint. As your business grows, you might invest in paint sprayers so that you can complete jobs faster. This new equipment would add to your income, but will probably take more money capital than you have on hand.

**Advertising**

You will quickly find out that letting potential customers know that you are in business is costly. Once you have customers, however, information about your business will spread by word of mouth.

**Receipts and Record Keeping**

No matter how small your business is, having a system to track your expenses and income is key to your success. All receipts should be safely filed and saved.

**Risk**

Every business involves risks. You must balance the risks against the advantages of being in business for yourself - including profit versus loss. Depending on the kinds of jobs you do, you will need equipment and replacement parts. At first, you might buy parts as you need them for a particular job. In time, you will find it easier to have an inventory. An inventory is a supply of whatever items are used in a business. Probably one of the first things you want to do, if you have not already done so, is buy a computer. With the computer, you also should purchase the programs that will allow you to keep track of all your expenses and all your receipts. Many such programs exist and are relatively inexpensive. Programs write checks for you, calculate your monthly profit and loss, tell you the difference between what you own and what you owe (called net worth), etc.

## Company structures

Most organizations have a hierarchical or pyramidal structure, with one person or a group of people at the top, and an increasing number of people below them at each successive level. There is a clear line or chain of command running down the pyramid. All the people in the organization know what decisions they are able to make, who their superior/boss is (to whom they report), and who their immediate subordinates are (to whom they can give instructions). Some people in an organization have colleagues who help them: e.g., an Assistant to the Marketing Manager. This is known as a staff position - its holder has no line authority, and is not integrated into the chain of command, unlike, for example, the Assistant Marketing Manager, who is number two in the marketing department. Yet the activities of most companies are too complicated to be organized in a single hierarchy.

Today, most large manufacturing organizations have a functional structure, including production, finance, marketing, sales, and personnel or staff departments. This means that the production and marketing departments cannot take financial decisions without consulting the finance department. Functional organization is efficient, but there are two standard criticisms. Firstly, people are usually more concerned with the success of their department than that of the company, so there are permanent battles between, for example, finance and marketing, or marketing and production, which have incompatible goals. Secondly, separating functions is unlikely to encourage innovation. Yet for a large organization manufacturing a range of products, having a single production department is generally inefficient. Consequently, most large companies are decentralized. Businesses that cannot be divided into autonomous divisions with their own markets can simulate decentralization, setting up divisions that deal with each other using internally determined transfer prices.

An inherent problem of hierarchies is that people at lower levels are unable to make important decisions, but have to pass on responsibility to their boss. One solution to this is matrix management, in which people report to more than one superior. For example, a product manager with an idea might be able to deal directly with managers responsible for a certain market segment and for a geographical region, as well as the managers responsible for the traditional functions of finance, sales and production. This is one way of keeping authority at lower levels, but it is not necessarily a very efficient one. A further possibility is to have wholly autonomous, temporary groups or teams that are responsible for an entire project, and are split up as soon as it is successfully completed. Teams are often not very good for decision-making, and they run the risk of relational problems, unless they are small and have a lot of self-discipline. In fact, they still require a definite leader, on whom their success probably depends.

**Industry type:** 1. Primary (agriculture, mining, forestry)

2. Secondary (construction, manufacturing)

3. Tertiary/service (banking, tourism, entertainment)

### Structures





CEO = chief executive officer

COO = chief operating officer

CFO = chief financial officer

Marketing director

HR (human resources) director

IT director

RD (research and development) director

Sales manager

Customer services manager

Accounts department manager

* The most common verbs for describing structure are:

consists of, contains, includes, is composed of, is made up of, is divided into

* Other verbs frequently used to describe company organization include:

to be in charge of, to support or to be supported, to be accountable to, to be responsible for, to assist or to be assisted